

## Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EB-04 IGA-01 TRSE-00 OMB-01  
INR-05 CIAE-00 NSC-05 NSCE-00 L-01 NEAE-00 SSO-00  
INRE-00 H-01 SP-02 /042 W  
-----051503Z 067529 /50

O 051309Z APR 77

FM AMEMBASSY NEW DELHI

TO SSESTATE WASHDC IMMEDIATE 2442

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 4845

LIMDIS

EO 11652: NA

TAGS: EAID, IN

SUBJ: AID TO INDIA

1. S.V.S. JUNEJA, JOINT SECRETARY, MINISTRY OF FINANCE CALLED IN ECONOMIC COUNSELOR TO DISCUSS AID TO INDIA. HE SAID MR ADLER OF AID/W VISITED INDIAN OFFICIALS IN WASHINGTON (HE SPECIFICALLY MENTIONED BAIJAL, MINISTER FOR ECONOMIC AFFAIRS) AND ASKED THEM WHAT THE INDIAN GOVERNMENT'S NEEDS WOULD BE IN TERMS OF A BILATERAL AID PROGRAM. BAIJAL HAD ASKED MINISTRY OF FINANCE FOR GUIDANCE. JUNEJA WAS PREPARING A RESPONSE ALONG THE FOLLOWING LINES: (A) THAT INDIA HOPED THE US WOULD CONTINUE TO PLAY A LEADING ROLE IN THE AID TO INDIA CONSORTIUM; (B) THAT INDIA HOPED THE US WOULD BE ABLE TO MAKE COMMITMENTS FOR AID TO INDIA COMMENSURAGE WITH THE US'S LEADING POSITION AS A DONOR; AND (C) THAT INDIA STILL REQUIRED SUBSTANTIAL AMOUNTS OF CONCESSIONAL LOAN ASSISTANCE; AND (D) THAT BEFORE THE GOI COULD RESPOND, THEY WOULD WANT SOME IDEA OF THE SIZE OF THE BILATERAL PROGRAM THE US HAD IN MIND.

2. JUNEJA SAID THAT THE MINISTRY OF FINANCE WAS PRE-CONFIDENTIAL

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PARING A BRIEF FOR THE PRIME MINISTER AND HIS CABINET ON THIS SUBJECT, AND WOULD, THEREFORE, NEED SOME IDEA OF THE SIZE OF ANY AID PROGRAM THE USG MAY BE CONTEMPLATING. HE SAID HIS DISCUSSIONS WITH THE ECONOMIC COUNSELOR WERE INFORMAL AND THAT THE RESPONSE WOULD NOT BE CONSIDERED A COMMITMENT BY THE USG.

3. HE SAID THAT WHILE MOF OFFICIALS FELT THE PRIME MINISTER WAS SYMPATHETIC TOWARD A US AID PROGRAM, HE NONETHELESS HAD TO CONTEND WITH A CABINET THAT CONTAINED A WIDE SPECTRUM OF POLITICAL PHILOSOPHY. IN THIS REGARD, JUNEJA SAID, THEY WERE AWARE OF THE SOLARZ AMENDMENT CALLING FOR \$61 MILLION IN AID TO INDIA. THEY TOOK THIS TO BE ONLY A TOKEN GESTURE, HOWEVER. IT WOULD BE DIFFICULT FOR THE PRIME MINISTER TO "SELL" ANY AID PROGRAM TO HIS CABINET IF IT WAS SO SMALL AS TO BE CONSIDERED ONLY A GESTURE. HE AGREED THAT NEITHER COUNTRY WOULD WANT TO SEE A TYPE OF AID THAT REQUIRED LARGE NUMBERS OF PERSONNEL BROUGHT IN. NONETHELESS, HE WAS OBVIOUSLY THINKING IN TERMS OF MUCH LARGER AMOUNTS THAN THE SOLARZ PROPOSAL.

4. JUNEJA DID NOT INDICATE WHAT LEVEL WITHIN MOF WAS INVOLVED IN PREPARING THE BRIEFING PAPER. HE SAID OTHER MINISTRIES HAD NOT YET BEEN BROUGHT INTO THE PROCESS, AND THAT IN ANY EVENT, ONCE THE SUBJECT WAS BEING CONSIDERED AT THE CABINET LEVEL, IT WOULD INEVITABLY INVOLVE CONSIDERABLE DISCUSSION BEFORE A DECISION WAS MADE.

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5. IN RESPONSE TO A QUERY, HE SAID MOF WAS ALREADY PREPARING ITS BRIEF AND THAT AN INFORMAL RESPONSE, AS SOON AS POSSIBLE, WOULD BE APPRECIATED. ECONOMIC COUNSELOR ASKED JUNEJA HOW, SHOULD INFORMAL DISCUSSIONS PROCEED, WOULD THE SUBJECT OF AID DEVELOP PUBLICLY. HIS RESPONSE WAS THAT THEY ASSUMED THE US WOULD WANT

TO ANNOUNCE ITS PROGRAM AT THE AID TO INDIA CONSORTIUM MEETING.

6. COMMENT: IT HAS BEEN OUR VIEW THAT IT WOULD BE BEST FOR THE GOI TO DECIDE ON A COORDINATED BASIS WHAT PROGRAMS, INCLUDING BILATERAL ASSISTANCE, IT MAY WISH TO ENGAGE IN WITH THE USG BEFORE WE BEGIN JOINT DISCUSSIONS ON WHAT WE MIGHT DO TOGETHER. IN OTHER WORDS WE HAVE FELT WE SHOULD REMAIN IN THE POSTURE OF LOOKING TO THE GOI TO TAKE THE INITIATIVE TO DEVELOP ITS RELATIONSHIPS WITH THE US IN ACCORDANCE WITH ITS CONSIDERED DESIRES. WE SHOULD AVOID BECOMING HUNG UP ON INSISTENCE THAT THE INDIANS MAKE A FORMAL REQUEST FOR AID -- RECENT CHANGES IN INDIA WOULD MAKE THIS QUITE UNNECESSARY -- BUT THE INITIATIVE SHOULD NONETHELESS REST WITH THE INDIANS.

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7. I AM UNSURE WHETHER AN APPROACH IN WASHINGTON HAS OVERTAKEN THIS POSTURE. IT IS CLEAR THAT THE FINANCE MINISTRY IN NEW DELHI CONSIDERS THAT THE USG HAS TAKEN AN INITIATIVE ON AID AND, IN APPROACHING US, IS RESPONDING. WE BELIEVE, HOWEVER, THAT WE SHOULD AVOID MOVING TOO RAPIDLY. WHILE THE FINANCE MINISTRY IS ASKING US ABOUT LEVELS, WE BELIEVE WE SHOULD BE DISCUSSING AID CRITERIA, POSSIBLE PROGRAMS, AND THE IMPLICATIONS OF THESE FOR OUR BILATERAL AID RELATIONSHIP WITH THE VIEW TOWARD DETERMINING WHETHER OR NOT THE GOI WISHES A BILATERAL PROGRAM. WHILE THE FINANCE MINISTRY IS TELLING US THAT THE LEVEL SHOULD BE HIGH IN ORDER TO ASSIST THE PRIME MINISTER TO CONVINCE HIS CABINET TO ACCEPT A BILATERAL PROGRAM, WE BELIEVE WE SHOULD BE LEAVING IT TO THE PRIME MINISTER AND HIS CABINET COLLEAGUES TO DECIDE FOR THEMSELVES WHETHER THEY WANT A BILATERAL PROGRAM OF ANY LEVEL, IN VIEW OF OUR CRITERIA, AND THEIR CORPORATE DESIRES. RATHER THAN STARTING WITH A LARGE PROGRAM DESIGNED TO CONVINCE THE PRIME MINISTER AND HIS CABINET THAT THEY SHOULD ACCEPT US ASSISTANCE, WE BELIEVE WE SHOULD DISCUSS A SMALL PROGRAM AND INDICATE THAT IF OUR MUTUAL EXPERIENCE WITH IT IS SATISFACTORY WE MIGHT MOVE ON FROM THERE. FINALLY, WE BELIEVE WASHINGTON MAY WISH TO PUT ITS EMPHASIS AT THIS STAGE ON A SATISFACTORY SOLUTION TO THE IDA V PROBLEM, WHICH IS OF GREAT CONSEQUENCE TO THE GOI, INSTEAD OF MOVING SIMULTANEOUSLY WITH A LARGE BILATERAL AID PROGRAM.

8. THE EMBASSY WOULD LIKE INSTRUCTIONS ON HOW TO RESPOND TO THE INQUIRY OF THE FINANCE MINISTRY. IF

THE DEPARTMENT AGREES WITH OUR COMMENTS ABOVE, I  
SUGGEST THAT I BE INSTRUCTED TO DISCUSS SOME OF THE  
ABOVE THEMES WITH DEA SECRETARY MANMOHAN SINGH.

9. I WOULD PLAN TO CARRY OUT WHATEVER INSTRUCTIONS THE  
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DEPARTMENT TRANSMITS WITH BOTH THE FINANCE MINISTRY  
AND THE MINISTRY OF EXTERNAL AFFAIRS. EACH MINISTRY IS  
PROCEEDING TO DEVELOP ITS RELATIONSHIPS WITH US  
WITHOUT THE KNOWLEDGE OF THE OTHER. AS THE DEPARTMENT  
IS AWARE, OVER THE YEARS WE HAVE TENDED TO HAVE TWO  
ENTIRELY SEPARATE RELATIONSHIPS WITH THE GOI: ONE  
WITH THE MINISTRY OF EXTERNAL AFFAIRS AND THE OTHER  
WITH THE MINISTRY OF FINANCE. AS WE START OUR  
RELATIONSHIP WITH THE NEW GOVERNMENT HERE I BELIEVE  
IT IMPORTANT THAT WE ASSURE THAT WE HAVE ONE COORDINATED  
RELATIONSHIP.

10. I HOPE I MAY HAVE INSTRUCTIONS ON THIS SUBJECT  
BY THE TIME KEWAL SINGH BEGINS HIS CONSULTATIONS HERE  
TOWARD THE END OF THE WEEK.  
SCHNEIDER

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